

**TOWNSHIP OF KINDERHOOK
(BRANCH)
FINANCIAL STATEMENTS**

MARCH 31, 2004

Auditing Procedures Report

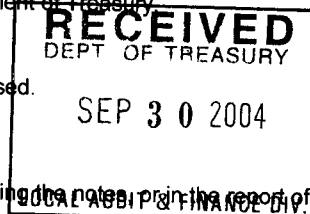
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF KINDERHOOK	County BRANCH
Audit Date 3/31/04	Opinion Date 8/24/04	Date Accountant Report Submitted to State: 9/29/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, in the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) RUMSEY & WATKINS, P.C.			
Street Address 20 TIBBITS PLAZA		City COLDWATER	State MI
Accountant Signature <i>Rumsey & Watkins, P.C.</i>		ZIP 49036	Date

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Rumsey & Watkins, P.C.

Certified Public Accountants and Business Advisors

20 Tibbits Plaza • Coldwater, Michigan 49036
Phone (517) 279-7931 • FAX (517) 278-7087

August 24, 2004

To the Supervisor and
Members of the Township Board
Township of Kinderhook
Branch County, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the general purpose financial statements of the Township of Kinderhook as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Kinderhook as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rumsey & Watkins, P.C.
RUMSEY & WATKINS, P.C.

TOWNSHIP OF KINDERHOOK
ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
MARCH 31, 2004

ASSETS

Cash
Investments
Taxes receivable
Due from other funds
Property, building and equipment

Total assets

GOVERNMENTAL
FUND TYPES

General

\$	248,716
	106,169
	6,771
	23
	-
	-
\$	361,679

LIABILITIES AND FUND EQUITY

LIABILITIES

Due to other funds
Due to others

\$	-
	300
	300

Total liabilities

FUND EQUITY

Investment in general fixed assets
Fund balance:
Undesignated

-

361,379

Total fund equity

361,379

Total liabilities and
fund equity

\$ 361,679

See accompanying notes to financial statements

FIDUCIARY FUND TYPES	ACCOUNT GROUPS	
Tax Collection	General Fixed Assets	TOTALS (MEMORANDUM ONLY)
\$ 23	\$ -	\$ 248,739
-	-	106,169
-	-	6,771
-	-	23
-	201,248	201,248
<u>\$ 23</u>	<u>\$ 201,248</u>	<u>\$ 562,950</u>

\$ 23	\$ -	\$ 23
-	-	300
<u>23</u>	<u>-</u>	<u>323</u>

-	201,248	201,248
-	-	361,379
<u>-</u>	<u>201,248</u>	<u>562,627</u>
<u>\$ 23</u>	<u>\$ 201,248</u>	<u>\$ 562,950</u>

TOWNSHIP OF KINDERHOOK

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE COMPARED TO BUDGET
FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Over (Under) Budget
REVENUES			
Taxes	\$ 52,000	\$ 54,496	\$ 2,496
Property tax administration fee	23,600	24,141	541
Special assessments	10,166	11,067	901
Licenses and permits	7,500	7,333	(167)
State shared revenue	116,994	108,653	(8,341)
Charges for services	530	1,116	586
Rental	600	1,225	625
Interest earned	3,715	5,373	1,658
Reimbursements	4,585	6,029	1,444
Other	-	147	147
Total revenues	219,690	219,580	(110)
EXPENDITURES			
General government	98,644	91,726	(6,918)
Public safety	40,100	37,313	(2,787)
Public works	68,819	16,840	(51,979)
Contingency	10,103	-	(10,103)
Total expenditures	217,666	145,879	(71,787)
Excess of revenues over expenditures	2,024	73,701	71,677
FUND BALANCE - BEGINNING	-	287,678	287,678
FUND BALANCE - ENDING	\$ 2,024	\$ 361,379	\$ 359,355

See accompanying notes to financial statements

TOWNSHIP OF KINDERHOOK

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Kinderhook conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

REPORTING ENTITY:

The Township operates under an elected board of five members and primarily provides fire protection and road maintenance and construction to the local residents. The general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. The criteria includes oversight responsibility, scope of public service and special financing relationships. There were no component units considered, under this criteria, to be included in these general purpose financial statements.

BASIS OF PRESENTATION:

The financial activities of the Township of Kinderhook are recorded in separate funds and account groups:

GOVERNMENTAL FUNDS

General Fund is the operating fund of the Township. It is used to account for all the Township's financial transactions not required to be accounted for in another fund.

FIDUCIARY FUNDS

Tax Collection Fund is used to account for assets held as an agent for others. Agency funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

ACCOUNT GROUPS

General Fixed Assets Group of Accounts is used to account for all fixed assets of the Township used in its general operations.

TOWNSHIP OF KINDERHOOK

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

BASIS OF ACCOUNTING:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used by all funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, if measurable.

BASIS OF BUDGETING:

The Township adopted their annual budget based on the modified accrual method of accounting. Expenditures were estimated by the functional budgetary level. The Township did not include a beginning fund balance within the approved budget.

Once a budget is approved, it can be amended at the functional level. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Revisions to the budget were made during the year.

ENCUMBRANCE ACCOUNTING:

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances is required at March 31, 2004.

TOWNSHIP OF KINDERHOOK

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

General fixed assets are recorded as expenditures in the General Fund at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Group of Accounts. Infrastructure general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, are not capitalized. No depreciation has been provided for general fixed assets.

The Township uses estimates and assumptions in preparing the general purpose financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

Total columns on the general purpose financial statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation as interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF KINDERHOOK

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE B - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involve no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated financial institutions for the deposit of Township funds and has authorized the investment in certificates of deposit. The accounts maintained are checking, savings and certificates of deposit and are in accordance with statutory authority. The interest rates of the checking and savings accounts are at variable daily rates. The certificate of deposit is currently earning interest at a rate of 3.25%.

Investments consist of a certificate of deposit with an original maturity date of greater than three months. The investments are carried at cost which approximates market value.

At March 31, 2004, the carrying amount of the Township's deposits was \$354,908 and the bank balance was \$358,107. The differences between the balances are the result of checks issued by the Township but not yet presented for payment. The risk exposure of the bank balance, at March 31, 2004, is as follows:

Insured	\$ 200,000
Uninsured	158,107
Total cash and investments	<u>\$ 358,107</u>

TOWNSHIP OF KINDERHOOK

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE C - TAXES RECEIVABLE

The Township is a general law township which levies local property taxes on December 1 of each year. They are collected by the Township's treasurer from December 1 to February 28.

Taxes receivable represent real taxes, special assessments and administrative fees returned delinquent to the County of Branch. The real property taxes, special assessments and administrative fees in the amount of \$6,771 will be paid to the Township by the County of Branch in April, 2004.

NOTE D - DUE FROM/TO OTHER FUNDS

The due from other funds in the amount of \$23 is payable from the Tax Collection Fund to the General Fund.

NOTE E - PROPERTY, BUILDING AND EQUIPMENT

Changes in property, building and equipment are as follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land and building	\$ 174,640	\$ -	\$ -	\$ 174,640
Equipment	20,545	1,262	-	21,807
Voting machines	4,801	-	-	4,801
Total	\$ 199,986	\$ 1,262	\$ -	\$ 201,248

NOTE F - COMMITMENTS

The Township has entered into an agreement with the Lakeland Fire Department to provide fire protection at an annual expense of \$30,000. The agreement will continue through March, 2007.

NOTE G - RISK MANAGEMENT

The Township of Kinderhook is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township has purchased commercial insurance for the coverage of the above discussed events.

TOWNSHIP OF KINDERHOOK

NOTES TO FINANCIAL STATEMENTS - Continued
FOR THE YEAR ENDED MARCH 31, 2004

NOTE H - CONTINGENCIES

The Township is a party to a lawsuit which is in early stages of litigation. At this time, an assessment of any potential loss, if any, cannot be made. However, it is the opinion of management that the outcome will have no material adverse effect on the financial position of the Township.

Rumsey & Watkins, P.C.

Certified Public Accountants and Business Advisors

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August 24, 2004

To the Supervisor and
Members of the Township Board
Township of Kinderhook
Branch County, Michigan

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

In connection with our audit of the general purpose financial statements of the Township of Kinderhook for the year ended March 31, 2004, the accompanying additional information, as listed in the table of contents, is submitted as additional analytical data. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such additional information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Rumsey & Watkins, P.C.
RUMSEY & WATKINS, P.C.

TOWNSHIP OF KINDERHOOK
 ADDITIONAL INFORMATION
 GENERAL FUND
 STATEMENT OF EXPENDITURES COMPARED TO BUDGET
 FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Over (Under) Budget
GENERAL GOVERNMENT			
TOWNSHIP BOARD			
Trustees salaries	\$	\$ 3,065	\$
Payroll taxes		3,433	
Office supplies		1,266	
Printing and publishing		1,537	
Education		960	
Insurance		5,754	
Advertising		343	
Dues		1,212	
Professional fees		500	
Miscellaneous		137	
Capital outlay		456	
Total Township Board expenditures	22,649	18,663	(3,986)
SUPERVISOR			
Salary		8,960	
Travel		236	
Total Supervisor expenditures	9,196	9,196	-
ELECTIONS	1,000	-	(1,000)
ASSESSOR			
Contract labor		14,213	
Office supplies		581	
Equalization contract		1,874	
Assessment notices		774	
Travel		97	
Miscellaneous		365	
Capital outlay		44	
Total Assessor expenditures	18,389	17,948	(441)

TOWNSHIP OF KINDERHOOK

ADDITIONAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - Continued
FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Over (Under) Budget
GENERAL GOVERNMENT - Continued			
CLERK			
Salary		9,835	
Office supplies		293	
Travel		43	
Total Clerk expenditures	10,834	10,171	(663)
BOARD OF REVIEW			
Salary		417	
Education		135	
Miscellaneous		220	
Total Board of Review expenditures	1,300	772	(528)
TREASURER			
Salary		12,713	
Office supplies		1,349	
Tax rolls preparation		3,202	
Travel		1,012	
Capital outlay		762	
Total Treasurer expenditures	19,038	19,038	-
TOWN HALL			
Supplies		132	
Utilities		5,839	
Repair and maintenance		2,111	
Total Town Hall expenditures	8,382	8,082	(300)

TOWNSHIP OF KINDERHOOK

ADDITIONAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - Continued
FOR THE YEAR ENDED MARCH 31, 2004

	Budget	Actual	Over (Under) Budget
GENERAL GOVERNMENT - Continued			
CEMETERY			
Contract labor		7,554	
Equipment rental		302	
Total Cemetery expenditures	7,856	7,856	-
Total General Govern- ment expenditures	98,644	91,726	(6,918)
PUBLIC SAFETY			
FIRE PROTECTION	26,000	26,000	-
PLANNING COMMISSION			
Salaries	2,000	1,550	(450)
ZONING BOARD			
Salaries		8,338	
Office supplies		199	
Education		57	
Professional fees		584	
Printing		435	
Travel		150	
Total Zoning Board expenditures	12,100	9,763	(2,337)
Total Public Safety expenditures	40,100	37,313	(2,787)

TOWNSHIP OF KINDERHOOK

ADDITIONAL INFORMATION

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - Continued
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
PUBLIC WORKS			
Road maintenance and construction		8,454	
Special assessments		6,876	
Lights		879	
Drains tax at large		631	
Total Public Works expenditures	68,819	16,840	(51,979)
CONTINGENCY	10,103	-	(10,103)
Total expenditures	<u>\$ 217,666</u>	<u>\$ 145,879</u>	<u>\$ (71,787)</u>

TOWNSHIP OF KINDERHOOK
 ADDITIONAL INFORMATION
 TAX COLLECTION FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED MARCH 31, 2004

	Balance April 1, 2003	Receipts	Disburse- ments	Balance March 31, 2004
ASSETS				
Cash	\$ -	\$2,278,758	\$2,278,735	\$ 23
LIABILITIES				
Due to other funds	\$ -	\$ 84,194	\$ 84,171	\$ 23
Due to schools	-	772,740	772,740	-
Due to Branch County:				
County operations	-	541,951	541,951	-
Intermediate School	-	538,167	538,167	-
State Education	-	335,740	335,740	-
Refunds to taxpayers	-	5,966	5,966	-
Total liabilities	\$ -	\$2,278,758	\$2,278,735	\$ 23

Rumsey & Watkins, P.C.

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Phone (517) 279-7931 • FAX (517) 278-7087

August 24, 2004

To the Supervisor and
Members of the Township Board
Township of Kinderhook
Branch County, Michigan

During our audit as of and for the year ended March 31, 2004, we noted the following items which we would like to comment on further:

GOVERNMENTAL ACCOUNTING STANDARDS

The Governmental Accounting Standards Board has issued Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Governments with less than \$10 million in revenues will apply this Statement for periods beginning after June 15, 2003. This Statement will change the financial statement presentation for the Board and require written management discussions to be included within the financial statements. As we discussed in prior management letters, this issue appeared to be in the distant future, however, as the date indicates the Board must implement the new financial statement requirements for the next audit.

The Township must first decide whether they want to comply with the requirements of GASB 34. Many local governmental units have expressed dissatisfaction with GASB 34, in that they feel the cost of implementing the statement exceeds the benefit of the additional information. The Local Audit and Finance Division of the Treasury Department of the State of Michigan is responsible for overseeing compliance. The Local Audit Division has determined that omission of various items required by GASB 34 will not result in any sanctions or in a request for remediation. The only issue of concern is the auditor's opinion may need to be modified for departures from generally accepted accounting principles, and would result in an adverse opinion. Based on the current situation of the Township, we feel the effort and additional cost required exceeds the value of the additional information generated and would provide little, if any, benefit. This will need to be an item discussed at the board level. After reviewing this letter, we would be glad to discuss any of these matters further with you and assist in the implementation.

CREDIT CARD POLICY

During the current year, the Township obtained a credit card to be used by its officials for Township business. Under P.A. 266 of 1995, the State of Michigan requires that local units who use credit cards adopt an applicable policy for their use. We recommend that the Township prepare a written policy regarding credit card use and approve that policy at an upcoming board meeting.

We would like to thank Townships' officials Jeanine James and Annette Graef for their assistance during the audit. After reviewing this letter, we would be glad to discuss these matters further with you and assist in the implementation.

Rumsey & Watkins, P.C.

RUMSEY & WATKINS, P.C.